



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER MARSHALL COUNTY SHERIFF**

January 1, 1998 Through June 1, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENT AND RECOMMENDATION	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15



Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Mike Miller, County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Honorable Brian Roy, Former Marshall County Sheriff
Members of the Marshall County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former Sheriff of Marshall County, Kentucky, for the period of January 1, 1998 through June 1, 1998. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff was required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Sheriff for the period ending June 1, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Mike Miller, County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Honorable Brian Roy, Former Marshall County Sheriff
Members of the Marshall County Fiscal Court

Based on the results of our audit, we have presented a comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Former Sheriff's Office Did Not Make Timely Deposits

In accordance with Government Auditing Standards, we have also issued a report dated August 4, 1999 on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 4, 1999

MARSHALL COUNTY
BRIAN ROY, FORMER SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

January 1, 1998 Through June 1, 1998

Receipts

Federal Grants		\$	91,587
State Grants			4,393
State Fees For Services:			
Finance and Administration Cabinet			10,047
Circuit Court Clerk:			
Sheriff Security Service			12,970
Fiscal Court			22,001
County Clerk - Delinquent Taxes			4,007
Commissions On Taxes Collected			44,961
Fees Collected For Services:			
Auto Inspections	\$	5,725	
Serving Papers		6,680	
Advertising Fees		3,164	
Miscellaneous		<u>693</u>	16,262
Carrying Concealed Deadly Weapons Permits			3,351
Interest Earned			<u>1,549</u>
Gross Receipts		\$	211,128

Disbursements

Operating Disbursements:		
Personnel Services-		
Deputies Gross Salaries	\$	124,731
Contracted Services-		
Advertising		9,390

MARSHALL COUNTY
 BRIAN ROY, FORMER SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 January 1, 1998 Through June 1, 1998
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Materials and Supplies-		
Office Materials and Supplies	\$	10,209
Carrying Concealed Deadly		
Weapons Permits		1,640
Auto Expense-		
Gasoline		14,020
Maintenance and Repairs		4,748
Mileage		9,155
Other Charges-		
Postage		1,712
Dues		750
Clothing Allowance		300
Cellular Service		1,368
Bond		466
K-9 Expense		387
Out of County Travel		208
Transporting Prisoners		4,821
Equipment Repair		1,425
Uniform Expense		1,834
Miscellaneous		<u>843</u>
Total Disbursements		<u>\$ 188,007</u>
Net Receipts		\$ 23,121
Less: Statutory Maximum		<u>20,176</u>
Excess Fees Due County		\$ 2,945
Payments to County Treasurer-		
March 3, 1999	\$	49
August 2, 1999		<u>2,896</u>
		<u>2,945</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT

June 1, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.69 percent.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 1, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The former Sheriff met the requirements stated above, and as of June 1, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

Note 4. Lease

The office of the Sheriff is committed to a lease agreement with MPH Industries, Inc. for a radar machine. The agreement requires a monthly payment of \$140 for 12 months to be completed on May 27, 1999. The total balance of the agreement is \$1,683 as of June 1, 1998.

Note 5. Grants

The Sheriff's department is the grantee of a Kentucky Justice Cabinet, Jackson Purchase Area Narcotics Task Force and Community Oriented Policing Services (COPS) grant and is also the payee on the check. However, the Fiscal Court receives this money and expends it for deputies' salaries. Therefore, we have added the \$88,945 (\$84,551 of federal funds and \$4,394 of state funds) to the former Sheriff's financial statement.

Note 6. Drug Fund

The Marshall County Sheriff's office has a drug fund established by an order of Circuit Court. Receipts results from the seizure of money, sale of seized property, donations, and interest. The funds are spent for supplies, equipment, vehicles, and drug awareness programs. On January 1, 1998, the fund had a balance of \$337. During the year, there were receipts of \$1,007 and disbursements of \$29, leaving a balance of \$1,315.

MARSHALL COUNTY
NOTES TO FINANCIAL STATEMENT
June 1, 1998
(Continued)

Note 7. Drug Awareness Resistance Education Fund (DARE)

The Marshall County Sheriff's office established a DARE fund January 16, 1998. Receipts result from the DARE national organization headquarters, donations, and interest. The funds are spent for supplies and drug awareness programs and materials. During the year, there were receipts of \$4,209 and disbursements of \$4,094, leaving a balance of \$115 on June 1, 1998.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

MARSHALL COUNTY
BRIAN ROY, FORMER SHERIFF
COMMENT AND RECOMMENDATION

January 1, 1998 Through June 1, 1998

The Former Sheriff's Office Did Not Make Timely Deposits

During our audit, we noted abnormal delays in deposits throughout the audit period. For example, receipts of \$290 from January 5, 1998 through January 6, 1998 were not deposited until January 16, 1998. This problem was due to a cash checkout not being made daily and deposits not being made when they totaled over \$200 or at least once a week. In the January 1, 1998 through June 1, 1998 audit period, there were approximately 105 working days and deposits were made on 29 of those days. Receipts averaged being 6 days late during the audit period.

We recommend that the Sheriff's office post receipts to a daily cash checkout sheet and the receipts ledger as required by the Uniform System of Accounts established under the authority of KRS 68.210. In addition, a deposit should be made when receipts are greater than \$200 per cash drawer or once a week, whichever comes first.

Management's Response:

None

PRIOR YEAR:

The Sheriff's office did require depository institutions to pledge sufficient securities as collateral to protect deposits in 1997. This has been corrected and is not commented on.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Mike Miller, County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Honorable Brian Roy, Former Marshall County Sheriff
Members of the Marshall County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the former Marshall County Sheriff as of January 1, 1998 through June 1, 1998, and issued our report thereon dated August 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Marshall County Sheriff's financial statement as of June 1, 1998, was free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation, included herein.

- The Former Sheriff's Office Did Not Make Timely Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Marshall County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comment and recommendation.

- The Former Sheriff's Office Did Not Make Timely Deposits

Honorable Mike Miller, County Judge/Executive
Honorable Terry Anderson, Marshall County Sheriff
Honorable Brian Roy, Former Marshall County Sheriff
Members of the Marshall County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above, we consider to be a material weakness.

- The Former Sheriff's Office Did Not Make Timely Deposits

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 4, 1999

